

Message Text

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ACTION NEA-10

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E.O. 11652: N/A
TAGS: EINV, BGEN, IN
SUBJECT: COCA COLA PROBLEMS WITH GOI

1. COCA COLA PRESIDENT FOR AFRICA AND INDIA ANTHONY YOUNG CALLED ON COMMERCIAL COUNSELOR SEPTEMBER 7 DURING SECOND EXTENDED VISIT TO INDIA TO PROVIDE CONFIDENTIAL UPDATE IN LENGTHY NEGOTIATIONS HE HAS BEEN CARRYING ON WITH GOI CONCERNING COCA COLA'S FUTURE IN INDIA.

2. YOUNG SAID THAT, DESPITE MIN INDUSTRIES GEORGE FERNANDEZ' PUBLIC STATEMENTS JOINT SECRETARY IN MINISTRY OF INDUSTRIES REPORTING DIRECTLY TO FERNANDEZ HAS OFFERED COCA COLA A THREE-MONTH RENEWAL OF LICENSE TO IMPORT CONCENTRATE RAW MATERIALS IN RETURN FOR UNDERTAKING BY COCA COLA TO RESTRICT BOTTLERS TO NO MORE THAN 30-DAY SUPPLY OF CONCENTRATE. COCA COLA WOULD ALSO BE REQUIRED TO CEASE PRODUCTION OF CONCENTRATE WHENEVER NEW INDIAN CONCENTRATE "77" BECOMES AVAILABLE TO BOTTLERS.

3. YOU WILL FLY TO ATLANTA ON SEP 9 TO TRY TO CONVINCE HEAD
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OFFICE TO ACCEPT GOI OFFER. HE CONSIDERS MAINTENANCE OF COCA COLA PRESENCE IN INDIA AND KEEPING COCA COLA BOTTLERS TOGETHER AS UNIFIED GROUP TO BE PARAMOUNT CONSIDERATIONS. WHILE CONTINUING TO MANUFACTURE COCA COLA CONCENTRATE ON QUARTER-TO-QUARTER BASIS, YOUNG PLANS TO GO FORWARD WITH DILUTION OF COCA COLA COMPANY IN INDIA UNDER FERA REQUIREMENTS. WHEN AND IF GOI READY WITH DOMESTIC "77" CONCEN-

TRATE, COCA COLA WOULD SWITCH OVER INTO PRODUCTION OF FANTA CONCENTRATE AND LINE OF OTHER FLAVORS WHICH NOW BEING DEVELOPED. THUS, BY BENDING WITH INDIAN STORM, YOUNG HOPES TO CARRY ON BUSINESS IN INDIA WHICH COULD BE VIABLE EVEN WITHOUT COCA COLA CONCENTRATE AS MAIN PRODUCT.

4. PRIVATELY AND OFF RECORD, YOUNG BELIEVES THERE GOOD CHANCE THAT "77" FORMULA, WHICH REMAINS UNTESTED FOR STABILITY, REACTION TO HEAT AND OTHER IMPORTANT FACTORS, MAY NEVER GET INTO FULL AND EFFECTIVE PRODUCTION AS INDIA-WIDE SUBSTITUTE FOR COCA COLA, OR, IF FINALLY PRODUCED, MAY NOT FIND WIDESPREAD PUBLIC ACCEPTANCE. REGARDLESS OF FORMULA "77'S" FUTURE, YOUNG BELIEVES MOST IMPORTANT OBJECTIVE FOR COCA COLA IS TO MAINTAIN PRESENCE HERE AND, THEREFORE, FLEXIBILITY FOR FUTURE ACTIVITY IN INDIAN MARKET. YOUNG WILL BE PRESENTING HIS VIEWS TO ATLANTA HEAD OFFICE OVER COMING WEEKEND AND HOPES TO GAIN THEIR APPROVAL FOR HIS PROPOSED COURSE OF ACTION.

5. COMMENT. EMBASSY BELIEVES YOUNG'S ANALYSIS OF SITUATION TO BE VALID AND THAT, IN VIEW LARGE POTENTIAL MARKET FOR COCA COLA PRODUCTS HERE OVER LONG RUN ONCE 40/60 EQUITY REQUIREMENTS OF FERA HAVE BEEN MET, COCA COLA SHOULD SHOW FLEXIBILITY IN FACE OF PRESENT GOI MINISTERIAL IRE. A GOOD PART OF CENSURE COCA COLA HAS RECEIVED HERE OVER LAST SEVERAL WEEKS THROUGH MINISTERIAL STATEMENTS IN LOK SABHA AND IN LIMITED OFFICIAL USE

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PRESS SEEMS TO HAVE BEEN MOTIVATED NOT ONLY BY WIDESPREAD INDIAN AVERSION TO MULTINATIONAL FIRMS, BUT ALSO BY IRRITATION OF FERNANDEZ AND OTHERS OVER SUPPORT RENDERED BY COCA COLA BOTTLING INTERESTS TO POLITICIANS OF FORMER REGIME. AFTER WEATHERING PRESENT STORM, COCA COLA MAY FIND SMOOTHER SAILING IN QUIETER POLITICAL ATMOSPHERE A YEAR OR SO FROM NOW, WHEN PRESENT PREOCCUPATION WITH MISDEEDS OF FORMER REGIME BECOMES LESS INTENSE.

GOHEEN

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